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**Aid for Trade in the countries
of the United Nations Special Programme
for the Economies of Central Asia
and other countries with economies in transition**

Aid for Trade in SPECA and other countries with economies in transition*

Submitted by the secretariat

I. Background

1. UNECE's activities in support of Aid-for-Trade (AFT) activities in SPECA¹ countries commenced in 2009, which saw the launching of the "Aft Roadmap for SPECA Initiative" in cooperation with a group of countries and development partners, including: Azerbaijan, Kyrgyzstan, the Islamic Trade Finance Corporation, the International Trade Centre (ITC), the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organisation (UNIDO). The Initiative seeks to support SPECA countries' Aft activities in the following areas:

- Developing national supply side capacity, including productive capacity and institutional frameworks.
- Harnessing cross-border cooperation.

* This document is submitted late due to delayed inputs.

¹ SPECA is the United Nations Special Programme for Central Asia and covers the following countries: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. SPECA is supported by both the UNECE and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). All of the countries are members of both Commissions with the exception of Afghanistan which is only a member of UNESCAP

- Facilitating the beneficial integration of SPECA countries into the multilateral trading system
2. These areas were identified based on the findings of country trade needs assessment studies by UNDP,² which were discussed during an expert meeting in Bishkek (March 2009) and a Ministerial Conference in Baku (December 2010). The Conference ended with the adoption of the Baku Ministerial Declaration, which marshalled national AfT processes around the above mentioned three common regional priority areas:
3. The Ministerial Declaration also called for the establishment of a follow-up mechanism, the SPECA AfT Implementation and Monitoring Council (SPECA AfT Council), which brings together all stakeholders (i.e., representatives of countries together with United Nations agencies, other development partners and donors) to coordinate activities and undertake joint action.

II. UNECE's activities in support of the AfT in SPECA

4. Geared to support the successful implementation of the Baku Ministerial Declaration, ECE activities to date have involved:
- Updating the national and regional AfT action matrices which indicate priorities for AfT projects and actions
 - Supporting the SPECA AfT Council
 - Assisting SPECA countries in developing "bankable" projects to address priority needs identified in the national AfT action matrices
 - Organizing regional and international events in support of the AfT Roadmap for SPECA

Below is a brief description of achievements to date:

A. Updating the national and regional AfT action matrices

5. Immediately after the Ministerial Conference, the UNECE harmonized the national and regional action matrices presented by SPECA members in a standardized format that follows the logical framework approach.³ This was done to:
- Facilitate the task of identifying implementation gaps.
 - Support AfT planning processes.
 - Allow accurate monitoring of national and regional AfT processes.
 - Support SPECA countries' resource mobilization efforts because the logical framework structure conforms to the approach used by donors for planning processes and the development of projects.
6. The revised standardized national and regional matrices were presented to member States in a draft form in 2012 during the Fifth annual session of the Committee on Trade.⁴

² The UNDP studies can be found at: <http://europeandcis.undp.org/news/show/A65D11B2-F203-1EE9-B2770B00952A8CF8>

³ Countries that have not presented their national matrices, namely Afghanistan, were approached by the ECE and will be assisted in preparing a national matrix.

⁴ The matrices can be found at: <http://www.unece.org/index.php?id=29210>

In 2013, the UNECE updated the matrices to reflect emerging needs. This was done following a formal process, whereby national focal points were appointed by their governments to liaise between the secretariat and relevant state agencies (the updated matrices are provided in Annex I).

7. At present, and working closely with UNDP Resident Representatives in SPECA Countries, the secretariat is in the process of linking the AfT national and regional matrices with the United Nations Development Account Frameworks (UNDAFs) for SPECA countries.

B. Supporting the SPECA AfT Council

8. The UNECE spearheaded the establishment of the follow-up mechanism called for in the Baku Ministerial Declaration: the SPECA AfT Council. Terms of reference were drafted by the secretariat and presented to SPECA countries as well as development partners and donors in November 2011 (see below). As per its terms of reference, the Council is a voluntary coordinating mechanism open to development partners working in the region including UN agencies and, in particular, agencies from the United Nations Chief Executives Board (CEB) Cluster on Productive Capacity and Trade as well as multilateral and bilateral donors.

9. The Council was launched in November 2011 in Ashgabat, Turkmenistan in a joint session with the SPECA Project Working Group on Trade, which includes representatives of SPECA countries. Members of the Council currently include the agencies that participated in the AfT Roadmap for SPECA Steering Group that organized the Baku Ministerial Conference (the United Nations Development Programme (UNDP); the United Nations Industrial Development Organization (UNIDO); the International Trade Centre (ITC) and the International Islamic Trade Finance Corporation (ITFC), a member of the Islamic Development Bank Group) in addition to the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the United Nations Conference on Trade and Development (UNCTAD). At present, ECE is serving as the coordinator for the Council.

10. Among the Council's immediate tasks has been to identify projects for supporting the implementation of AfT priorities as reflected in the national and regional action matrices. A number of projects were submitted by development partners and national counterparts at the Baku Ministerial Conference as part of a broader effort to mobilize the required resources.⁵ After reviewing and discussing these projects, the Council concluded that they projects did not address all of the priority needs. Moreover, some projects followed a piece-meal approach or were simply not sustainable, so they needed further development.

11. At present, and as explained below, the UNECE is working closely with SPECA countries to bring more coherence to proposed projects and to formulate new ones. Once the projects are developed, the UNECE will present them to the Council that will, in turn, identify implementation gaps and national and regional priority areas that remain under-funded and explore avenues for resource mobilization and joint action.

⁵ The projects can be found at: <http://www.unece.org/tradewelcome/aft-speca/aid-for-trade-roadmap-for-speca-initiative-projects.html>

C. Assisting SPECA countries in preparing bankable projects

12. Within the context of an interregional United Nations Development Account (UNDA) funded project, UNECE assisted Azerbaijan, Kyrgyzstan and Tajikistan in preparing bankable project documents to support the implementation of AfT activities. These projects focus on addressing regulatory and procedural barriers to trade, taking into account the priorities in the action matrices, and the issues and areas defined by national stakeholders during face-to-face interviews using the UNECE methodology. Priority areas requiring immediate intervention were defined in consultation with SPECA countries using the AfT national matrices as the starting point for discussions, and following a formal process, whereby national focal points were appointed by their governments to liaise between the secretariat and relevant state agencies. For Tajikistan, the preparation of the project document also benefited from the results of UNECE needs assessment study that was conducted in 2013.

13. With funding from the UN regular budget, the secretariat assisted the government of Kazakhstan in preparing a bankable project document in support of the successful implementation of AfT activities. As was the case with the other SPECA countries, the project focused on addressing regulatory and procedural barriers to trade in goods. Priority areas were defined in consultation with SPECA countries following the formal process described above, and using as the starting point for discussions the AfT national matrices and the recommendations emerging from the 2012 ECE-ITC joint trade needs assessment study in Kazakhstan.

D. Regional and international events in support of the AfT Roadmap for SPECA

14. The UNECE organized a number of events, in order to provide regional and international platforms for discussing progress made in the implementation of the AfT Roadmap for SPECA and emerging national and regional AfT priorities. Below is a brief description of the events organized in 2013:

(a) Given the particular challenges facing SPECA countries in the area of food security, and the role of food supply chains, the UNECE, together with the UN Trade and Productive Capacity Cluster, organized a meeting on increasing the agricultural sector's contribution to food security in transition economies. The meeting was held in Geneva on 9 July 2013, as a side event to the World Trade Organization's (WTO's) 4th Global Review of Aid for Trade, which took place from 8 to 10 July 2013.⁶

(b) To assist SPECA countries in arriving at a common understanding of the key AfT issues in the region, the UNECE organized a conference on "Implementing Aid-for-Trade Road Maps" from 10 to 11 July 2013, back-to-back with the 4th Global Review.⁷

(c) To facilitate information sharing on the progress made in the implementation of the AfT Roadmap for SPECA and explore avenues for joint action with other development partners, the UNECE organized a brainstorming meeting on the morning of 10 July 2013 to: discuss progress made in supporting the implementation of the Baku Ministerial

⁶ A report of the meeting is available on the WTO website at:

http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13prog_e/global_review13prog_e.htm

⁷ The agenda and presentations delivered during the conference are available at:

<http://www.unecce.org/tradewelcome/aft-speca/aid-for-trade-roadmap-for-speca-initiative-meetings-and-events.html>

Declaration; provide national stakeholders with information to strengthen the AfT monitoring and evaluation processes in their respective country; and agree on the next steps to be taken.⁸

(d) To support SPECA countries' resource mobilization efforts, the UNECE organized a regional conference in Dushanbe, Tajikistan on 8-9 October 2013, during which the initial AfT draft project proposals (see section C above) were presented to development partners and donors interested in supporting trade development in SPECA countries. The conference was held in conjunction with the SPECA Project Working Group on Trade annual meeting, which took place from 7 to 10 October 2013⁹.

15. The UNECE also presented the AfT project documents, along with the updated national and regional AfT matrices in early February 2014, during an inter-regional conference that was organized in Mombasa, Kenya by the Economic Commission for Africa within the context of the UNDA interregional project. This conference featured broad participation from the UN regional commissions member states, development partners and donors interested in supporting AfT activities in the region.

III. Strategic orientations for future activities

16. The above-mentioned events brought forward a number of issues that need to be taken into account in designing and implementing future national and regional AfT activities. Most notable are the common challenges that were highlighted by the participants and are summarized below¹⁰.

Improving trade facilitation conditions

17. Participants emphasized that the starting point for improving trade facilitation conditions would be to reduce the number of trade documents that traders have to submit for the purpose of customs clearance, and to remove all unnecessary bureaucratic procedures. This is essential not only for reducing the transaction costs facing traders, but also for ensuring the successful implementation of Single Window facilities for exports and imports. They added that governments should also: develop secure electronic payments according to international best practices like those recommended by the United Nations Commission on International Trade Law (UNCITRAL); establish standardized and transparent pricing systems for government services; and, develop risk management systems for customs and other state agencies involved in cross-border trade transactions.

Improving consultation mechanisms with the private sector

18. Participants noted that consultations between the government and the private sector could be further strengthened by investments in institutional mechanisms that would allow for systematic, as opposed to ad hoc discussions. There is also a need to invest in modern management systems for disseminating up-to-date information on trade-related legislation and procedures, and to give a priority to familiarizing the private sector with the multi-lateral trading system

⁸ The agenda and presentations delivered during the conference are available at: <http://www.unece.org/tradewelcome/aft-speca/aid-for-trade-roadmap-for-speca-initiative-meetings-and-events.html>

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¹⁰ A detailed account of these discussions is provided in document ECE/TRADE/C/2014/7

Developing conformity assessment systems

19. The lack of adequate testing laboratories was highlighted as a major non-tariff barrier to trade, along with complex conformity assessment procedures. Participants noted that conformity certificates issued by national conformity assessment bodies were not recognised in several countries. Hence, traders are faced with the need for double certification both in their country and abroad.

Increasing the contribution of agriculture to food security

20. Another key message emerging from the discussions was the necessity of marshalling value-chain participation for the benefit of agricultural development. Participants stressed that efforts should focus on both imports and exports, since achieving food security would be difficult without imports when there is an insufficient supply of local agricultural products. Participants also stressed that governments should promote voluntary sustainability standards (VSS). While such standards are often viewed as a technicality, they can be used to: (i) advance sustainable production and consumption methods, including opportunities for energy, material, and resource efficiency resulting in cost savings; (ii) promote competitiveness in the growing and lucrative “sustainability” markets; and, (iii) facilitate the internalization of environmental and social costs.

Supporting increased trade in climate-smart goods

21. Promoting trade in climate-smart goods (CSGs) – understood as products that are designed to prevent, limit, minimize or correct the environmental impact from carbon emissions – could result in a triple win for economic growth, trade and the environment. Reaping such benefits require removing regulatory and procedural barriers to trade; increasing investments in climate-smart technologies¹¹; and launching industry-specific incentives to support enterprises that have the potential to supply CSGs at a low cost, and especially small and medium sized enterprises.

IV. Concluding remarks

22. The AfT Roadmap for SPECA faces challenges caused by the lingering impact of the global financial and economic crisis which has: lowered demand for the region’s non-energy exports; brought home many migrant workers, thus swelling domestic unemployment and reducing family incomes; and reduced the domestic financial resources available for supporting trade development.

23. Immediate needs generated directly or indirectly by the crisis have frequently distracted governments at a time when increased competition in regional and global markets requires concerted efforts to transform and re-orient production structures towards activities with higher value-added and increase economic diversification. In parallel, donors are becoming less inclined to finance development efforts.

24. If there is one lesson to draw from previous experiences in overcoming economic crisis, it would be the necessity of better coordination among development agencies and donors. At issue is how best to tailor interventions so that they address critical areas with

¹¹ Climate smart technologies are technologies, which are clean and contribute to energy efficiency and conservation or use renewable energy. These technologies are divided under four categories: Solar PV; energy efficient lighting; clean coal technologies; and, wind power generation. For a detailed discussion on this subject see, UNESCAP (2011) “Climate-smart Trade and Investment in Asia and the Pacific: Towards a Triple-win Outcome”, Studies in Trade and Investment, No.73, Bangkok, Thailand: United Nations.

the broadest impact in a comprehensive manner, so that efforts are not spread too thin on the ground. Assisting countries and donors in arriving at a common understanding of the problems impeding trade development; identifying the “weak points” in the work being done; and arriving at a more holistic approach are all objectives that are, today, more important than ever.
